OFFICE OF THE

PROVINCIAL AUDITOR

Operations of the Office

Vision

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Provincial Auditor will contribute to greater public trust and confidence in the institutions of government.

Mission

To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

government accountability information;

compliance with legislative authorities; and

the operational performance of government.

Values

IN INTERPERSONAL RELATIONSHIPS

Respect ***Honesty***

Integrity ***Openness***

IN ACHIEVING OUR VISION AND MISSION

Teamwork

Independence

Balanced Perspectives

Professional Excellence

100-06882/

Office of the Provincial Auditor
500-330 Portage Avenue
Winnipeg, Manitoba, Canada R3C 0C4

August 2000

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to submit herewith our Annual Report on the Operations of the Office of the Provincial Auditor for the year ended March 31, 2000 to be distributed to Members of the Legislative Assembly in accordance with the provisions of Section 13 of The Provincial Auditor's Act.

Respectfully submitted,

Jon W. Singleton, CA, CISA
Provincial Auditor

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This Report

This Report describes the functions and operations of the Office of the Provincial Auditor and presents the audited financial statements for the Office for the year ended March 31, 2000. It is not a report on the results of the audits conducted, as this information is tabled in the Legislature separately.

Reflections of the Provincial Auditor... A Year of Change

The Office made one change in structure during the year that signals a shift of resources to compliance with authority and forensic auditing activities. We created a separate unit to lead these activities.

This is part of a long-term plan to emphasize those aspects of legislative auditing that I believe are of most interest to the Members of the Legislative Assembly and the general public. While financial statement auditing remains an important activity of the Office, we plan to partner with public accounting firms increasingly on this work to free up resources for value-for-money and compliance with authority activities.

Compliance with authority work encompasses an assessment as to whether laws and regulations are being effectively followed and enforced. It can also include an assessment of the practicality of the regulations. Typical areas for review could include safety, environmental and health issues. It is also planned that the Unit will take steps to increase fraud awareness in the public sector through proactive assessments of the level of security achieved in a variety of operational areas.

Since its creation in September, 1999, the Compliance unit has conducted a number of audits and investigations. These will be reflected in a report to the Legislative Assembly in late 2000. Of course, the Unit's work on the investigation of the Manitoba Lotteries Corporation has already been made public. As the existence of this Unit becomes more widely known in the Manitoba public sector, the number of

inquiries and requests for audits has been increasing. I hope over the next two years to be able to increase the resources available to the Unit to respond to the need for these services.

Another change during the year was to move our office from government-owned facilities to a building owned by the private sector. I believe this enhances the perception of our independence from government. In addition, the facilities are more conductive to the professional nature of our work.

As noted in the accomplishments section, we have finally persuaded the Manitoba Government to adopt the Summary Financial Statement, prepared in accordance with generally accepted accounting principles, as its primary financial reporting document. It has, indeed, been a year of positive change for the Office.

In closing, I would like to thank Warren Johnson, who retired in June 2000 from the position of Assistant Provincial Auditor, for his 26 years of dedicated and excellent service in the Office of the Provincial Auditor.

Jon W. Singleton, CA, CISA

Accomplishments at a Glance

- The Government has addressed a number of long standing Provincial Auditor recommendations regarding the Public Accounts. This represents significant progress toward reliable and understandable public financial reporting. When fully implemented, these decisions will place the Manitoba Government at the forefront of transparent and reliable financial reporting in Canada.
- A report on *Business Planning and Performance Measurement: An Assessment of Timeliness of Implementation and Effectiveness of the Process in Government Departments* was issued in July 2000.
- Our Compliance and Forensic Services Unit was established in late 1999. The Unit completed the work on the investigation of the Manitoba Lotteries Corporation with the issuance of a public report in May 2000.
- A major review of The Provincial Auditor's Act was undertaken and recommendations for amendments to the Act have been forwarded to the Government. If accepted, it is expected that a re-drafted Provincial Auditor's Act would be adopted in 2000/2001.
- Value-for-Money Services issued a report to the Legislative Assembly in July 2000 which included the results of our examination of the implementation of Shared Food Services by the nine Winnipeg based health care facilities.

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Our Role...

The Office of the Provincial Auditor is an independent office of the Legislative Assembly. The Provincial Auditor plays an important role on behalf of the citizens of Manitoba in the process by which the legislature holds the government of the day accountable for its actions.

In fulfilling that role, we have the responsibility, on behalf of the public, to bring to the attention of the legislature, and to officials of the government, anything that we consider is "of significance and of a nature that should be brought to the attention of the Assembly".

Our Services...

Under the authority of The Provincial Auditor's Act, the organizations that are subject to audit include government departments, Crown organizations, government enterprises and recipients of public monies. The type of audits and reviews we undertake are as follows:

Attest Audits - attesting to the adequacy, fairness and appropriateness of reports prepared by management (e.g. financial statements).

Compliance with Authority Audits - assessing and commenting on the extent of compliance with government legislation, including regulations and other central government policies.

Value-for-Money Audits - assessing and commenting on the efficiency, economy and effectiveness with which operational units of the government use their resources to accomplish intended outcomes.

Governance Reviews - assessing and commenting on public sector reforms, as well as the board governance of various public sector and government funded entities.

Investigations - forensic examinations of financial or operational information.

Special Audits - are requested by the Minister of Finance or the Lieutenant Governor in Council. The nature of this work will vary and includes investigations, reviews, compliance audits, value-for-money audits, or a combination thereof.

Performance Reporting - assessing and commenting on business planning and performance measurement within government reporting entities.

Our Clients...

Our clients are the Members of the Legislative Assembly, and through them, the citizens of Manitoba.

Those who benefit from our services include Deputy Ministers and Departmental Managers; and representatives of Crown Corporations and Agencies.

Our Clients' Needs...

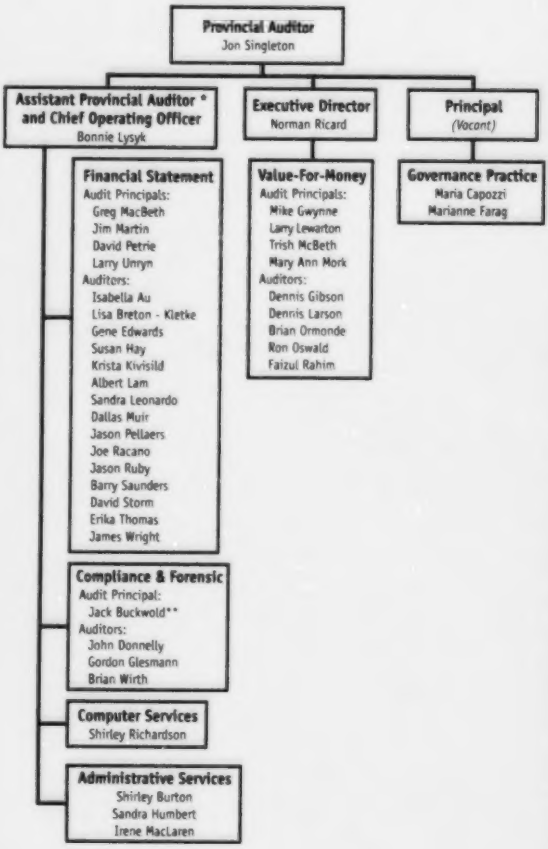
Our clients expect:

- Non-partisan advice and assurance;
- Accurate and timely reporting of audit/review findings;
- Effective and broad-based communication of audit/review findings;
- Reports which provide practical and fair recommendations; and
- Audits and reviews that focus on significant public sector issues.

Our Clients' Perspectives...

As part of our performance measurement strategy, the Office conducts a client survey of the Members of the Legislative Assembly (MLAs) every three years. This allows us to measure our accomplishments from the perspective of our primary clients. This survey was last conducted in 1999, at which time we found that 85% of MLAs read our reports and 90% of them are satisfied overall with the work of our Office.

Our Organizational Structure...



* Effective June 12, 2000 with retirement of previous Assistant Provincial Auditor, Warren Johnson.

** Effective September, 1999.

Report Highlights for 1999/2000

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Our Reports to the Legislative Assembly document the results of our audits and reviews over the reporting period. They provide an independent opinion on the fairness of financial reporting, commentary on the efficiency and effectiveness of government programs, and assurance on compliance with legislative authorities.

Over the past year, the Office has conducted:

- 102 attest audits and overview assignments on Crown organizations, government enterprises and special operating agencies, as well as attest audits relative to other supplementary statements for these entities;
- one compliance audit, and the completion of field work for an additional four audits with reports to be issued within the next few months;
- one value-for-money audit, two value-for-money reviews, and one special audit; and
- numerous presentations to various groups about the work of our Office.

Audit of the Public Accounts

March, 1999

The March 1999 report released in May, 2000 highlighted that the government recorded liabilities for employee severance benefits in the Summary Financial Statements for 1998/99. Regional Health Authorities will be included as part of the government reporting entity in the 1999/2000 fiscal year. The Provincial Auditor is supportive of the government's adoption of tangible capital asset and amortization based accounting policies, in compliance with the standards of the Public Sector Accounting Board (PSAB) for implementation in the 1999/2000 fiscal year.

A number of recommendations were made to enhance the public accounts.

The government has adopted a number of the recommendations highlighted in the March 1999 report for implementation in conjunction with the preparation and issuance of the Public Accounts financial reports for 1999/2000.

Value-For-Money Audits

June 2000

This report included the results of one audit, one special audit and two reviews.

Our review of the implementation of shared food services by nine Winnipeg based health care facilities identified 18 lessons learned. The report highlights the need to base decisions on proposed changes to the shared food services initiative on more rigorous assessments of the impact of changes on implementation and functionality. Also highlighted was the need to ensure facilities were well prepared before beginning implementation.

Our audit on the Investment in Information Technology at the University of Winnipeg included 12 recommendations. The audit highlighted user needs that were not being met, inefficiencies due to the need for greater standardization of the technology infrastructure components across the University and the need to act on security concerns.

Our special audit of the due diligence practices of the Manitoba Capital Fund and Vision Capital Fund concluded that nothing significant came to our attention that would suggest that the funds do not exercise sufficient and appropriate due diligence in evaluating investment proposals.

Compliance and Forensic Services

Status To Date

The establishment of Compliance and Forensic Services was completed with the appointment of an Audit Principal to manage the function in September 1999. Project planning was initiated and will continue into the next fiscal year leading to the development of an overall compliance audit plan.

Compliance and Forensic Services was involved in the following:

- A review into allegations of inappropriate spending practices at the Manitoba Lotteries Corporation. Areas reviewed included casino capital expenditures, executive travel and entertainment; executive vehicles; and corporate promotions. A final report was issued in May, 2000.
- Additional audits for which reports will be issued in the upcoming months.

Business Planning and Performance Measurement

July 2000

A set of objective standards of effectiveness were used in order to assess whether provincial departments have an effective and timely process by which to undertake business planning and performance measurement. The review was conducted through a survey of government departments and senior officials within the central government. Work on the assessment was completed during 1999/2000 and the report entitled *Business Planning and Performance Measurement: An Assessment of Timeliness of Implementation and Effectiveness of the Process in Government Departments*, was released in July 2000.

The report contains sixteen recommendations for strengthening the business planning and performance measurement process.

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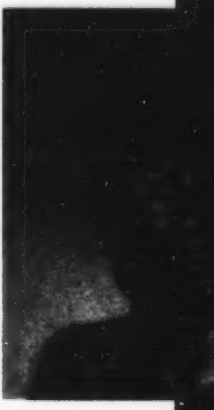
Financial Statement and Compliance and Forensic Services



Bonnie Lysyk
ASSISTANT PROVINCIAL AUDITOR
AND CHIEF OPERATING OFFICER

Financial Statement Services

Many improvements have been made in the Public Accounts over the last few years. The improvements include recording liabilities for employee severance benefits in 1998/99 and the planned inclusion of tangible capital assets and Regional Health Authorities in 1999/2000. A further benefit has been the related improvements in the financial statements of a number of organizations comprising the government reporting entity. Additional improvements are highlighted in the accomplishments section that follows.

Quality Assurance activities continued with pre-issuance reviews for audits requiring more than 300 hours of staff resources. The process provided a good basis for timely consultations regarding issues that arise on various assignments.

The next fiscal year will see the Office explore additional partnership opportunities with Public Accounting firms in order to enable additional compliance work to be undertaken.

Our Accomplishments – 1999/2000

- Completed 102 direct attest audit services, partnership audits and overviews on a timely basis. *(See Appendix A for Financial Statement Audits Within the Government Reporting Entity Conducted by the Provincial Auditor's Office, and*

Appendix B for Other Financial Statement Audits Conducted by the Provincial Auditor's Office)

- Issued the Public Accounts Report to the Legislature. The issuance of the report was delayed until May, 2000 because of the change in Government that occurred in September, 1999. This delay provided the newly elected Government time to assess the recommendations made in previous year's reports.

- The Public Accounts of Manitoba represent the annual financial statements for the Government of the Province of Manitoba. These financial statements provide an important link in an essential chain of public accountability. Significant progress toward reliable and understandable financial reporting was made with the Government's acceptance of the Provincial Auditor's recommendations by making the following key decisions for future public accounting and disclosure:

  - To make the Summary Financial Statements, prepared in accordance with generally accepted accounting principles, the primary financial reporting tool of the Government effective for the year ending March 31, 2000;

  - To issue, for the year ended March 31, 2001, an annual report that will include the Summary Financial Statements, special purpose financial statements showing how the Government managed the funds available to it in the Consolidated Fund, and other information useful to citizens in assessing the financial performance of the Government;

  - To present inter-fund transfers after the net revenue/expenditure for the year, beginning with the Public Accounts for the 1999/2000 fiscal year;

- Beginning in 2000/2001, the Government plans to match the pension contributions for all civil servants and teachers hired on or after April 1, 2000. As well, when possible, special contributions will be made toward the pension liability. This will take the Government a step closer toward recording the entire pension cost and unfunded pension liabilities in the Financial Statements for the Consolidated Fund;

- To prepare a summary budget for the 2001/2002 fiscal year in accordance with generally accepted accounting principles; and

- To direct all Crown agencies to follow generally accepted accounting principles.

- The Provincial Auditor participated with senior provincial officials and a representative of the business community on a Steering Committee established by the Minister of Finance, to work with Deloitte & Touche on a financial review of the Government of Manitoba. The Province of Manitoba Financial Review Reports were issued in February, 2000. The accounting policy recommendations resulting from this review were consistent with the prior recommendations of the Provincial Auditor.

- During the past fiscal year, the Office partnered with Ernst & Young to perform a review to obtain reasonable assurance that the key business processes supported by SAP have an appropriate level of automated and manual controls, operate in a properly secured information system environment, maintain the integrity of information, and allow for proper management trails to support recorded transactions. This work was conducted to support the Public Accounts audit for the year 1999/2000.

- The practice has actively participated on various Canadian Council of Legislative Auditors Committees.

Compliance and Forensic Services

The work of Compliance and Forensic Services is expected to expand in the future as a result of increasing demand for compliance services. Compliance with authority audits involve assessing and commenting on the extent of compliance with government legislation, including regulations and other central government policies. As well, services will expand to include security reviews and fraud detection activities.

Our Accomplishments – 1999/2000

- Formal establishment of Compliance and Forensic Services with the appointment of an Audit Principal in late fall of 1999.
- Completed a review into allegations of inappropriate spending practices at the Manitoba Lotteries Corporation. Findings and recommendations were released in a report to the Minister charged with the administration of The Manitoba Lotteries Corporation Act which was tabled in the Legislature in May, 2000.

Value-For-Money Services

Norman Ricard
EXECUTIVE DIRECTOR

In an effort to ensure that the work of Value-for-Money Services is viewed as value-added by the Legislative Assembly and the general public, the division is working hard to:

- Select organizations or programs to examine which manage considerable public resources or which have a significant impact on their stakeholders and the public in general;
- Design our examinations in such a way that we focus on the key result areas of the organization or program, and further, within these key result areas, on those aspects at greatest risk of not being managed with due regard for efficiency, effectiveness and economy.

We believe that to be value-added our services must be responsive to the concerns of members of the Legislative Assembly, as well as organization and program administrators. Focussing on risks and key result areas, and engaging these parties in the audit process, will help ensure our findings and recommendations contribute to improving government operations in critical areas.

We are also continuously examining our processes to ensure we are operating as efficiently, effectively and economically as possible.

Our Accomplishments – 1999/2000

- Our Report to the Legislative Assembly was issued on July 11, 2000.
- The reorganization of Value-for-Money Services has been completed although we are awaiting the final determination of the auditor classification from the Civil Service Commission. A competency model has been developed which will help guide our training priorities. Job descriptions have been developed and we are in the process of defining a work team model that will be used to guide the management of audit assignments. To this end a draft Team Charter has been developed. In the final quarter of 1999/2000 the division began its recruitment effort.
- In December 1999 we completed our Value-for-Money Audit Manual. The processes reflected in the manual build on processes employed by legislative audit offices around the world. We believe that our policies and procedures position us to make productivity and quality gains by ensuring greater clarity, consistency and focus in the processes followed by the audit teams.
- During the year, the Value-for-Money Services Practice engaged a professional trainer to develop and deliver an introductory workshop on conducting results-oriented value-for-money audits. The workshop was first delivered in May 2000 and was well attended by the internal audit community. A second offering of the workshop will be made in the fall of 2000. In addition, Value-for-Money Services is in the process of developing an advanced workshop on results-oriented value-for-money audits which should also be delivered in the fall of 2000.
- The Executive Director participated in two study groups of the Canadian Council of Legislative Auditors. The first study group was mandated to propose a quality assurance approach that could be used by legislative audit offices to assess their own operations or that could be used as a guide by an external evaluator. The second study group was mandated to examine human resources management issues common to legislative audit offices. An audit principal within the practice participated in a study group mandated to examine information technology application and audit issues common to legislative audit offices. Participation in such study groups is important as it exposes the Division and the Office to a broader perspective on certain key issues and to possible solutions.

Governance Services

Maria Capozzi and Marianne Farag

Governance Services provides assessments and advice on issues related to:

- the board governance of various public sector and government-funded entities;
- the use of business planning and performance measurement within government reporting entities; and
- public sector reform.

Enhancing the effectiveness of management practices in these areas contributes to improved organizational effectiveness and stronger accountability processes of public sector organizations. In this way, the work of the Practice directly supports the Office's vision of being a leader in building greater public trust and confidence in the accountability of government to the citizens of Manitoba.

The Practice is also responsible for a number of corporate responsibilities internal to the Office, including monitoring the legislation that covers our mandate, chairing the Professional Development Committee, and facilitating the annual business planning process.

Our Accomplishments – 1999/2000

- Conducted a board governance survey of all Manitoba School Trustees and Superintendents. Findings will be released in an autumn Report to the Legislative Assembly.
- Completed a governance review, in conjunction with a compliance audit. As well as providing input into the audit, the findings served as a

valuable pre-test of the survey instrument used for province-wide assessment of school boards.

- Completed a review of the board governance practices of the Urban Shared Services Corporation, in conjunction with the Value-for-Money audit of the Shared Food Services Initiative. As well as providing input into the audit, the findings will be provided as information to the Chairs of all public sector boards.

- Completed a review of the business planning and performance measurement process used by provincial departments. Findings and recommendations for improvement were released in a Report to the Legislative Assembly entitled *Business Planning and Performance Measurement: An Assessment of Timeliness of Implementation and Effectiveness of the Process in Departments.*

- Undertook a major review of The Provincial Auditor's Act and forwarded to Government recommendations for amendments to the Act.

- Continued participation in the *Rethinking Government* study conducted by EKOS Research Associates, as one aspect of the Office's performance measurement strategy. This study allowed the Office to directly assess the impact of our work on the citizens of Manitoba.

- Participated on various committees conducting research in public sector reform, including: the Canadian Council of Legislative Auditors Study Group on Performance Reporting and Auditing; and the Conference Board of Canada's Network on Performance Measurement.

- Chaired the Office's Professional Development Committee, which provides staff with access to professional development opportunities in areas of strategic importance to the Office.

- Conducted research into enhancing the Office's communication and marketing strategies.

- Facilitated the development of the Office's annual Business Plan.

General Operations

Review of The Provincial Auditor's Act

The Provincial Auditor's Act of Manitoba was first passed in 1969. Since that time, there have been few significant amendments to the Act. In the intervening years, the practice of legislative auditing has evolved considerably. Therefore, the Office undertook a major review of the legislation in comparison to legislative auditing provisions in other jurisdictions. Based on this review, we found that The Provincial Auditor's Act needs to be amended in order to: clarify the Provincial Auditor's mandate; enhance the independence of the Office; strengthen the provisions regarding the Provincial Auditor's right to access various sources of information; and clarify the scope of the confidentiality requirement that must be adhered to in conducting audits. Proposed amendments were developed and forwarded to the Government for their consideration. If the Government accepts the amendments, it is expected that a re-drafted Provincial Auditor's Act would be adopted in 2000/2001.

Business Planning and Performance Measurement

Each year a review is undertaken of the Office's three-year business plan priorities, strategic directions and proposed activities for the coming year. The 1999/2000 review resulted in some significant changes in our business plan. New features in the Plan include a set of operating principles and an articulation of expected outcomes that will be linked to performance measures. Our revised plan is also more integrated around a set of common office-wide objectives.

Communications

The Office has begun developing a Communications Strategy aimed at heightening public awareness of the role and independence of our Office, as well as making our Reports more accessible to the public. Over the past year, the format for our Reports to the Legislative Assembly has been redesigned and updated. The new format will facilitate the development of an Office Website in the upcoming year.

The Provincial Auditor made numerous presentations over the past year to various groups about our work, which included:

- Moderating a panel at the International Summit on Public Service Reform held in Winnipeg, June 1999, discussing "Getting Good Information for Public Administration and Policy Setting: Surveys, Polls, Performance Reporting and Accountability Mechanisms". On the panel were Denis Desautels, Auditor General of Canada; Bruce Petrie, Assistant Chief Statistician, Statistics Canada; and Chris Adams, Vice-President of Angus Reid.
- Making a presentation on Business Planning, Performance Measurement and Accountability" to the Canadian Association of Administrators of Labour Law National Forum on Business Planning, November 1999.
- Making a presentation on "Performance Reporting and Accountability" to the Canadian Evaluation Society, Manitoba Chapter, February 2000.
- Making presentations to the Management Internship and Aboriginal Management Internship Programs.

Human Resources

During the fall of 1999, the Office of the Provincial Auditor relocated from the Woodsworth Building to the 5th floor in the Newport Centre on Portage Avenue.

New positions created over the past year included the Audit Principal of Compliance and Forensic Services, effective September 1999, and the position of Controller, effective April 1999.

As well, the chartered accountant student complement increased from three positions to six positions facilitating future succession planning.

An Office-wide Values Workshop was held in September, 1999 to explore whether relationships in our work environment were consistent with office values.

Professional Development

Our Office continues its strong commitment to the professional development of its staff. The annual professional development program is structured to provide staff with access to opportunities in areas of strategic importance to the Office, and to ensure that staff can meet the minimum requirements of professional development for their respective associations.

The annual Professional Development program is maintained and delivered by the Professional Development Committee; a cross-functional team composed of two representatives from each Practice and chaired by Governance Services. Over the past year, a number of auditing and general training courses were provided, including such topics as fraud awareness and conflict resolution. Training in computer software programs was maintained on an as needed basis. Six presentations were provided through the Sunrise Speaker Series.

Information Technology

The relocation of the Office to the Newport Centre led to the design of a new computer room and the movement of the network and related equipment. An additional back-up unit was installed to provide better recovery service of the network. A disaster recovery plan was also developed to help ensure continuity of Office operations.

A security review was conducted during the past year. To improve security of the network, virus protection software was upgraded to include scanning software for E-mail attachments. Firewall software was also implemented to protect the E-mail server from Internet intrusion.

Year 2000 preparation ensured that no problems were encountered.

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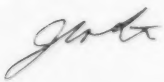
Management's Responsibility for Financial Statements

The accompanying financial statements of the Office of the Provincial Auditor for the year ended March 31, 2000 are the responsibility of management of the Office. Management has prepared the financial statements to comply with The Provincial Auditor's Act and with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including an organizational structure that effectively segregates duties. These controls provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded and financial information is reliable and accurate.

The financial statements have been audited by the firm of Burke, Cantor & Co., Chartered Accountants. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the financial statements, appears on page 34.



Jon. W. Singleton, CA, CISA

Provincial Auditor

June 29, 2000

BCCA

Burke, Cantor & Co. Chartered Accountants

Ben T. Burke • Edward Cantor • James J. Smith • Larry R. Gander • Michael Averbach • Ken Shiffman • Associate: Myron Borden

1505-444 St. Mary Avenue, Winnipeg, Manitoba R3C 3T1 Phone: (204) 957-7000 Fax (204) 949-1191

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the Statement of Financial Position of the **OFFICE OF THE PROVINCIAL AUDITOR** as at March 31, 2000 and the Statements of Operations and Net Assets Available and Cash Flow for the year then ended. These financial statements are the responsibility of the Provincial Auditor. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2000 and the results of its operations and its cash flow for the year then ended in accordance with generally accepted accounting principles.

The financial statements as at March 31, 1999 and for the year then ended were audited by Burke, Newman & Co., who issued an unqualified report dated June 23, 1999.

Burke, Cantor & Co.

June 29, 2000
Winnipeg, Manitoba

Statement of Financial Position as at March 31, 2000 (000s)

	2000	1999
CURRENT ASSETS		
Accounts receivable	$ 1	$ 9
Short-term funding commitments - Province of Manitoba	253	288
Prepaid expenses	43	20
Work in process - audit fees	173	108
	470	425
Long-term funding commitments - Province of Manitoba	5,095	5,039
Capital assets (Note 3)	387	566
	$ 5,952	$ 6,030
CURRENT LIABILITIES		
Accounts payable	$ 16	$ 17
Accrued vacation pay	253	288
Current portion of lease obligations (Note 4)	70	69
	339	374
LONG-TERM LIABILITIES		
Provision for employee severance benefits	427	464
Provision for employee pension benefits	4,666	4,575
Capital lease obligations (Note 4)	13	83
Total liabilities	5,445	5,496
Net assets available	507	534
	$ 5,952	$ 6,030

Statement of Operations and Net Assets Available for the Year Ended March 31, 2000 (000s)

	2000	1999
REVENUE		
Province of Manitoba - net funding (Note 5)	$ 3,462	$ 3,570
Audit fees	582	607
Total revenue	4,044	4,177
EXPENDITURE		
Salaries and benefits	2,788	3,148
Professional fees	479	408
Amortization of capital assets	237	204
Office and equipment rentals	118	117
Office administration	117	103
Professional development	101	105
Relocation costs	67	-
Information technology services	51	34
Staff relocation and recruitment	34	2
Memberships and publications	33	38
Interest charges on lease obligations	10	6
Travel costs	10	13
Total expenditure	4,045	4,178
Excess expenditure over revenue	(1)	(1)
Loss on disposal of furniture and fixtures (Note 3)	(26)	-
Excess expenditure over revenue	$ (27)	$ (1)
Net assets available, beginning of year	$ 534	$ 535
Excess expenditure over revenue for the year	(27)	(1)
Net assets available, end of year	$ 507	$ 534

Statement of Cash Flow
for the Year Ended March 31, 2000
(000s)

	2000	1999
Cash from Consolidated Fund (Note 5)	$ 3,449	$ 3,175
Cash from audit fees	357	505
Cash paid for salaries and benefits	(2,476)	(2,491)
Cash paid for operating costs	(888)	(698)
Cash paid for pension benefits to retirees	(281)	(262)
Cash provided from operations	161	229
Cash paid for capital assets	(161)	(229)
Net increase in cash	$ -	$ -

Notes to the Financial Statements for the Year Ended March 31, 2000

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Provincial Auditor is appointed under The Provincial Auditor's Act (Chapter P145) as an officer of the Legislature. The Act provides for the establishment of the Office of the Provincial Auditor and sets out the authority and powers of the Provincial Auditor, identifies the audit services to be provided and establishes reporting responsibilities.

All of the funding for the operations of the Provincial Auditor's Office is approved by the Legislative Assembly Management Commission and included in the Government's estimates as voted through the Appropriation Act by the Legislative Assembly. Accordingly, the Office is economically dependent on the Province of Manitoba.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue from the Province of Manitoba

Funding from the Province of Manitoba is recognized as revenue based on transactions reflected through the Consolidated Fund of the Government. Revenue includes cash payments processed against appropriations of the Legislative Assembly, cash payments for the employer's share of pension benefits paid to retirees from the Office, and the Offices' share of provisions recorded for unfunded pension benefits, accrued severance benefits and accrued vacation pay. This funding is then reduced by the amount of audit fees collected by the Office and deposited to revenue accounts of the Consolidated Fund.

b) Revenue from audit fees

Audit fee revenue is recognized on the basis of the percentage of work completed for those government entities which are charged for attest audit services and which account for their financial activities outside of the Consolidated Fund. The amount reflected as work in process is valued at its estimated billable amount.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incident to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

d) Pension costs

Employees of the Office of the Provincial Auditor participate as members of the Civil Service Superannuation Plan, a defined benefit pension plan.

The employer's portion of pension benefits paid to retired employees are processed through central appropriations to the Government and reflected in these financial statements as both revenue and expenditure transactions. Provision is recorded at the year end to reflect the Office's pro-rata share of the most recent actuarial valuation of unfunded pension liabilities estimated for the Civil Service Superannuation Plan. The most recent Actuarial Valuation Report

available was completed as at December 31, 1995. Accrued pension obligations have been extrapolated to December 31, 1996 by the actuary.

e) Severance benefits

Provision has been made for employee severance entitlements based on one week of salary for each year of service up to a maximum of fifteen weeks. The provision includes accumulated benefits for all employees with more than ten years of service and 50% of the accumulated benefits for employees with service levels between zero and ten years.

f) Vacation pay

The value of employee vacation entitlements earned but not taken at the year end is recorded as a liability.

3. CAPITAL ASSETS AND AMORTIZATION

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of capital assets, as follows:

Computer hardware and software	3 years
Computer equipment under capital lease	3 years
Furniture and fixtures	10 years

	000s			
	2000		1999	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	$ 551	$ 406	$ 549	$ 269
Computer equipment under capital lease	191	95	191	31
	742	501	740	300
Furniture and fixtures	166	20	145	19
	$ 908	$ 521	$ 885	$ 319
		$ 387		$ 566

As a result of the relocation of the Office of the Provincial Auditor on September 24, 1999, furniture and fixtures were donated in kind to various not-for-profit organizations and government departments resulting in a loss on disposal of furniture and fixtures.

4. CAPITAL LEASE OBLIGATIONS

The Provincial Auditor's Office has capitalized equipment that is leased as follows:

	(000s) 2000	1999
Capital lease - bears interest at 8.25%, with a monthly payment of principal and interest of $1,300, expiring February 23, 2002	$ 29	$ 44
Capital lease - bears interest at 8.25%, with a monthly payment of principal and interest of $5,300, expiring February 23, 2001	58	122
	87	166
Less: Lease interest	4	14
	83	152
Less: Current portion of principal payments	70	69
	$ 13	$ 83

Lease payments for the next 5 years are as follows:

Year 2001	$ 74
Year 2002	13
Year 2003	-
Year 2004	-
Year 2005	-
	$ 87

Notes to the Financial Statements for the Year Ended March 31, 2000

5. REVENUE - PROVINCE OF MANITOBA

In accordance with Section 7(4) of the Provincial Auditor's Act, the costs of carrying on the business of the Office of the Provincial Auditor shall be paid from the Consolidated Fund of the Province of Manitoba. As a result, net funding from the Consolidated Fund which is attributable to the costs of the Office has been reflected as revenue and includes expenditure transactions processed through the Consolidated Fund on behalf of the Office, less any audit fees and other recoveries which have been deposited to the Consolidated Fund.

Net funding from the Consolidated Fund which is reflected as revenue is comprised of the following amounts:

	(000s)	
	2000	1999
Funding from the Legislative Assembly appropriations:		
Salaries	**$ 2,476**	$ 2,491
Other	**1,049**	927
	3,525	3,418
Cash payments for employer's share of employee pension benefits	**281**	262
Deposits of audit fees and other recoveries	**(357)**	(505)
Net cash from Consolidated Fund	**3,449**	3,175
Accounts receivable adjustment	**(8)**	-
Increase (decrease) in future funding commitments:		
Employee pension benefits	**92**	311
Severance pay	**(36)**	51
Vacation pay	**(35)**	33
Revenue from the Province of Manitoba	**$ 3,462**	$ 3,570

Funding from the Legislative Assembly for the operations of the office was originally approved in the annual estimates of the Government, and subsequently adjusted as follows:

	(000s)	
	2000	1999
Salaries	**$ 2,796**	$ 2,599
Other	**917**	849
Approved estimates, adjusted	**$ 3,713**	$ 3,448
Payments process, as above	**$ 3,525**	$ 3,418
Unexpended balance	**$ 188**	$ 30

6. DISCLOSURE OF EMPLOYEE COMPENSATION PAYMENTS

In accordance with The Public Sector Compensation Act, disclosure is required of aggregate annual compensation payments of $50,000 or more. For the year ended March 31, 2000 employees of the Office of the Provincial Auditor received compensation of $50,000 or more as follows (in thousands):

Armstong, James	Audit Principal	$ 70
Buckwold, Jack	Audit Principal	58
Capozzi, Maria	Senior Analyst	52
Edwards, Gene	Auditor	57
Gibson, Dennis	Auditor	62
Gwynne, Michael	Audit Principal	70
Johnson, Warren	Assistant Provincial Auditor	93
Knight, Jeff	Audit Principal	53
Larson, Dennis	Auditor	55
Lewarton, Lawrence	Audit Principal	67
MacBeth, Gregory	Audit Principal	70
Martin, James	Audit Principal	70
McBeth, Patricia	Audit Principal	65
Mork, Mary Ann	Audit Principal	67
Ormonde, Brian	Auditor	62
Oswald, Ron	Auditor	57
Petrie, David	Audit Principal	70
Rahim, Faizul	Auditor	62
Ricard, Norman	Executive Director	84
Richardson, Shirley	Systems Coordinator	54
Singleton, Jon	Provincial Auditor	117
Unryn, Larry	Audit Principal	70
Wirth, Brian	Auditor	57

Appendices

Financial Statement Audits Within the Government Reporting Entity Conducted by the Provincial Auditor's Office

Summary Financial Statements
Consolidated Fund (Operating Fund and other Special Funds)
Fiscal Stabilization Fund
Debt Retirement Fund
Northern Affairs Fund
Amounts Paid to MLA's

CROWN ORGANIZATIONS

Board of Administration under The Embalmers and Funeral Directors Act
Brandon University (and subsidiaries)*
Centre Culturel Franco-Manitobain*
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Council on Post Secondary Education
Economic Innovation and Technology Council*
Government Information Systems Management Organization (Man.) Inc.
Health Information Services of Manitoba (HISM) Corporation
Horse Racing Commission*
Legal Aid Services Society of Manitoba
Manitoba Agricultural Credit Corporation*
Manitoba Centennial Centre Corporation
Manitoba Crop Insurance Corporation
Manitoba Foundation
Manitoba Habitat Heritage Corporation
Manitoba Health Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Manitoba Housing and Renewal Corporation*
Manitoba Trade and Investment Corporation
Manitoba Water Services Board*
Public Schools Finance Board
Special Operating Agencies Financing Authority
University of Manitoba

GOVERNMENT ENTERPRISES

Leaf Rapids Town Properties Ltd.

SPECIAL OPERATING AGENCIES

Manitoba Text Book Bureau
Organization and Staff Development
Public Trustee

* Audit conducted in partnership with a public accounting firm

Other Financial Statement Audits Conducted by the Provincial Auditor's Office

All Charities Campaign
Brandon University Retirement Plan•
Civil Service Superannuation Fund
Elections Manitoba Returning Offices - 37th General Election
Estates and Trusts under Administration
by the Public Trustee
Manitoba Home Care Employees' Benefits Trust Fund
MBnet Networking Inc.
Public Service Group Insurance Fund
Teachers' Retirement Allowances Fund
University of Manitoba Pension Plans
University of Winnipeg
University of Winnipeg Pension Plan

• Audit conducted in partnership with a public accounting firm

PROVINCIAL AUDITORS
Province of Manitoba
Over 100 Years of Service

Alexander Begg	Provincial Auditor	1876 - 1879
Walter R. Nursey	Provincial Auditor	1879 - 1888
George Black	Provincial Auditor	1888 - 1916
J. Gordon Steele	Comptroller-General	1916 - 1921
Robert Drummond	Comptroller-General	1921 - 1933
J.C.M. Ligertwood	Comptroller-General	1933 - 1936
F.B. Brisbin	Comptroller-General	1936 - 1938
C.A. Glover	Comptroller-General	1938 - 1944
George D. Iliffe	Comptroller-General	1944 - 1966
James G. McFee	Comptroller-General Provincial Auditor	1966 - 1969 1969 - 1972
W.K. (Bill) Ziprick	Provincial Auditor	1972 - 1985
Fred H. Jackson	Provincial Auditor	1985 - 1992
Carol Bellringer	Provincial Auditor	1992 - 1996
Jon W. Singleton	Provincial Auditor	1996 - Current

Copies of this report may be obtained by contacting:

Office of the Provincial Auditor

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